view that active engagement with China remains the most constructive means of ensuring that our two nations mutually benefit from our growing economic relationship, and that common challenges are effectively addressed.

The coalition is strongly of the view that a more open, competitive, and effective financial sector in China is a prerequisite to successfully addressing issues that have complicated the U.S.-China economic relationship—particularly currency reform and the trade imbalance. For example, access to sophisticated derivative products and hedging techniques will help Chinese banks, securities firms, and other businesses avoid the risks of a more volatile, market-determined currency. Similarly, financial products and services such as mortgages, credit cards, personal loans, pensions, and retirement savings and insurance products—to which most Chinese currently do not have access—would dramatically reduce the need for excessive savings and facilitate greater consumption.

The fastest way for China to develop the modern financial system it needs is to import it—that is, by opening its financial sector to greater participation by foreign financial services firms. By providing the products and services that China's citizens and businesses need to save, invest, insure against risk, raise standards of living, and consume at higher levels, foreign financial institutions (including U.S. providers) would help create what every U.S. manufacturer and services provider wants—a China that is less dependent on exports, more consumption-driven and, therefore, an enormously important and expanding market for American products and services.

Thank you for your work on this important issue. We very much appreciate your interest in opening China's financial sector to greater participation by U.S. financial services firms. We look forward to working with the Committee and the rest of the Congress to ensure expanded financial market access in China and other emerging markets.

Sincerely,

ROB NICHOLS,
President and COO, Financial Services Forum, Chairman, Engage China Coalition.

SEPTEMBER 4, 2007.

Hon. BARNEY FRANK,
Rayburn House Office Building, Washington, DC.
Hon. JIM MARSHALL,
Cannon House Office Building, Washington, DC.
Hon. SPENCER BACHUS,
Rayburn House Office Building, Washington, DC.
Hon. PETER ROSKAM,
Cannon House Office Building, Washington, DC.

DEAR CHAIRMAN FRANK, RANKING MEMBER BACHUS, CONGRESSMAN MARSHALL, AND CONGRESSMAN ROSKAM: We are writing to applaud the focus you have given to market access in House Resolution 552. We commend your bipartisan effort to introduce a resolution that recognizes the importance of further access for U.S. financial services firms to China's markets.

The Forum is encouraged by your interest in the U.S.-China Strategic Economic Dialogue and additional efforts to remove market access barriers for U.S. financial services firms.

A more open, modern, and effective financial sector in China is a prerequisite to successfully addressing issues that have complicated the U.S.-China economic relationship such as currency reform and the trade imbalance.

The fastest way for China to develop the modern financial system it needs to achieve more sustainable economic growth, allow for a more flexible currency, and increase consumer consumption—thereby opening new markets for U.S. products and services—is to import it by opening its financial sector to greater participation by foreign financial services firms.

We look forward to working with all of Congress in continuing to draw focus and attention to this key issue for economic reform and financial modernization in China and other emerging markets. We thank you again for your important focus on opening markets in China to foreign financial services participation.

Sincerely,

ROB NICHOLS,
President and COO,
The Financial Services Forum.

INVESTMENT COMPANY INSTITUTE,
Washington, DC, August 31, 2007.

Re H. Res. 552, ''Calling on the Government of the People's Republic of China to remove barriers to United States financial services firms doing business in China''.

Hon. BARNEY FRANK,
Chairman, Committee on Financial Services, House of Representatives, Washington, DC.
Hon. JIM MARSHALL,
Member, Committee on Financial Services, House of Representatives, Washington, DC.
Hon. SPENCER BACHUS,
Ranking Member, Committee on Financial Services, House of Representatives, Washington, DC.
Hon. PETER ROSKAM,
Member, Committee on Financial Services, House of Representatives, Washington, DC.

DEAR CHAIRMAN FRANK, RANKING MEMBER BACHUS, CONGRESSMAN MARSHALL AND CONGRESSMAN ROSKAM: I am writing to express the support of the Investment Company Institute (ICI) for House Resolution 552 (H. Res. 552), ''Calling on the Government of the People's Republic of China to remove barriers to United States financial services firms doing business in China.'' The Institute supports your efforts to recognize the importance of access for U.S. financial services firms, including the U.S. mutual fund industry, to the Chinese market.

Reform of China's financial markets is important to our members for investment purposes as well as for the provision of asset management services. Specifically, we appreciate the inclusion of provisions in H. Res. 552 addressing measures that unnecessarily limit the manner in which U.S. asset managers can conduct their business in China. These provisions include language calling on the Chinese government to remove all foreign ownership caps on asset management firms and highlighting the limitations on foreign investment in Chinese A-share securities and on Chinese investments in foreign securities markets. We also appreciate inclusion of language in the Resolution calling on the Chinese government to fulfill its WTO and Strategic Economic Dialogue commitments relating to financial services.

The continued reform and opening of China's financial services sector is in the economic and political interest of both China and the United States. Fair and competitive access to China's markets, including financial services, has implications for U.S. economic growth and job creation. For China, a vibrant and competitive financial system is essential to a strong and productive economy and will be essential in helping China address its retirement challenges. We believe the U.S. mutual fund industry is uniquely positioned to assist in the development of a strong financial services market in China.

Thank you for considering the views of ICI on H. Res. 552. Please feel free to contact me directly or Don Auerbach of the ICI staff if you have any questions with regard to this or any other matter.

With very best regards.

Sincerely,

PAUL STEVENS,
President.

Mr. Speaker, I yield myself such time as I may consume.

This resolution, in essence, simply asks China to comply with agreements that it has already entered into. These agreements, its compliance with these agreements, would greatly benefit our financial services industry and we think, frankly, also benefit China.

That's for China to decide, where this resolution contemplates that China will immediately implement all of its world trade organization commitments, that it will implement all of its commitments made to date under the auspices of the strategic economic dialogue.

For the next strategic economic dialogue, our goals as a country should be the removal of all foreign investment ownership caps on banking, life insurance, asset management and securities, and the guarantee of nondiscriminatory treatment for the United States' financial services firms with regard to licensing, corporate forum, permitted products and services, as well as with regard to regulation and supervision.

Finally, this resolution contemplates that United States financial service regulators, in assessing whether or not applications from Chinese financial services institutions meets our requirements, do take into account whether or not the Chinese are living up to its end of our bargains.

□ 1500

Mr. Speaker, why do this?

Besides the natural inclination of Americans to insist that those that we do business with live up to their end of the deals, all Americans know that we have a very substantial trade deficit with China, and that China has eaten into our manufacturing sector in a very significant way.

At the same time that China is eating into our manufacturing strength, it is denying us access to its financial services market. If we have access to its financial services market, essentially that levels the playing field; and it will also reduce our trade deficit, because it is our belief that American financial services firms will be very successful in the Chinese business environment.

Part of the problem with our trade deficit is that the yuan is intentionally valued in a way to permit the Chinese Government, or the Chinese industries, to compete more effectively price-wise with our manufacturing sector. When challenged about this practice, the Chinese Government routinely explains that its banking industry lacks the expertise to appropriately hedge investments using derivatives swaps, other